

BILL # HB 2022

TITLE: tax credit; fire station donation

SPONSOR: Paton

STATUS: As Introduced

PREPARED BY: Juan Beltran

FISCAL ANALYSIS

Description

The bill would increase from 30% to 50% the value of real property and improvements donated to a school district used as an income tax credit, for properties donated after December 31, 2008. In addition, the credit is expanded to include donations of real property and improvements to a fire district for use as a fire station, or as a site for the construction of a fire station.

Estimated Impact

Based on current levels of donations to school districts, the bill is estimated to reduce corporate and individual income tax revenue to the General Fund by an additional \$(4.5) million for FY 2010 and \$(4.8) million for FY 2011 and future years. The exact cost, however, cannot be determined because the number of individuals or corporations that would donate real property and improvements to a school district or a fire district cannot be predicted. In addition, there may be cost savings associated with the School Facilities Board (SFB) due to a reduction in land acquisition costs if the bill induces additional donations to school districts; these potential savings, however, cannot be estimated. In FY 2007, SFB purchased 118 acres of land for a total of \$17.2 million.

The Department of Revenue estimates an additional loss of revenue to the General Fund of approximately \$(4) million annually.

Analysis

The Department of Revenue reports that during tax year 2005 (the latest year for which data is available) a total of \$7.3 million were claimed as tax credits due to the donation of real property and improvements to a school district. Increasing the value of property or improvements to be used as a tax credit from 30% to 50% would result in an increase in the amount of claimed tax credits by 62% in FY 2010 and 67% in FY 2011.

This analysis assumes that real property and improvement donations incurred during calendar year (CY) 2009 would be used as tax credits during FY 2010 for individual income taxes. It is likely that the full impact of the tax credit for corporate income tax would be realized over 2 fiscal years due to variability in its tax filing deadlines. For purposes of this analysis, 60% of the revenue impact would occur in FY 2010, and 40% in FY 2011.

In addition, allowing taxpayers to donate real property and improvements to a fire district, and not only to a school district, may encourage additional donations. The exact tax revenue loss to the General Fund cannot be determined because we cannot predict exactly how many real properties and improvements will be donated to a fire district as a result of this bill. The city of Phoenix currently has 52 fire stations, and has reported one fire station site donated within the last 20 years.

Local Government Impact

Each year incorporated cities and towns receive 15% of individual and corporate income tax collections from 2 years prior. This bill would reduce local government distribution by \$(675,000) in FY 2012 and by \$(720,000) in FY 2013.

There are also potential savings to cities to the extent that they may not have to purchase land for fire stations.